

CLARK COUNTY SCHOOL DISTRICT

**Audited Financial Statements
and Supplementary Information**

Year ended June 30, 2005

CLARK COUNTY SCHOOL DISTRICT
JUNE 30, 2005

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**CLARK COUNTY SCHOOL DISTRICT
JUNE 30, 2005**

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SUMMERS, MCCRARY & SPARKS, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee of School District Audits
Members of the Board of Education
Clark County School District
Winchester, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2005, on our consideration of Clark County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental schedules on pages 40 through 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 45 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 18, 2005

**CLARK COUNTY PUBLIC SCHOOL DISTRICT – WINCHESTER, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

As management of the Clark County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The total General Fund balance for FY 2005 is \$910,546 as compared to \$694,411 for FY 2004.
- The board initiated no new major construction projects.
- The board purchased three new buses and entered into a lease agreement with KISTA.
- Due to an increase in interest rates and the District's cash balance, interest income increased by \$74,382 in FY 2005 as compared to FY 2004.
- The General Fund had \$29,847,591 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Expenditures for General Fund totaled \$29,856,179.
- The district implemented all-day kindergarten at all elementary schools and provided pre-school at Shearer Elementary and Trapp Elementary.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT – WINCHESTER, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$22,347,781 as of June 30, 2005 as compared to \$21,873,688 as of June 30, 2004.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT – WINCHESTER, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

Net Assets for the periods ending June 30, 2005 and 2004

Changes in net assets for the District were as follows:

	2005	2004	Change
Current Assets	\$4,914,972	\$3,812,185	\$1,102,787
Noncurrent Assets	28,432,655	29,252,271	(819,616)
Total Assets	\$33,347,627	\$33,064,456	\$283,171
Current Liabilities	\$2,497,794	\$1,774,648	\$723,146
Noncurrent Liabilities	8,736,213	9,416,120	(679,907)
Total Liabilities	\$11,234,007	\$11,190,768	\$43,239
Investment in capital assets (net of debt)	\$19,212,717	\$19,214,563	\$(1,846)
Restricted	2,183,663	2,173,079	10,594
Unrestricted	951,401	486,046	465,355
Total Net Assets	\$22,347,781	\$21,873,688	\$474,103

There are no significant changes in the Statement of Net Assets from 2004 to 2005.

Comments on Budget Comparisons

- The District's total revenues for governmental funds for the fiscal year ended June 30, 2005, is \$36,484,182 as compared to \$34,627,618 for 2004.
- General fund budget compared to actual revenue varies mainly due to on-behalf payments made by the state for retirement, health and life benefits.
- The total cost of all governmental programs and services is \$35,853,058 for 2005 as compared to \$34,878,527 in 2004.
- General fund budget expenditures compared to actual varies due to on behalf payments made by the state for retirement, health and life benefits. There is also a difference in comparing budget to actual expenditures due a contingency in the amount of \$682,258 as required by statute.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT – WINCHESTER, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

The following table presents a summary of changes in revenues and expenses for governmental funds from fiscal year ended June 30, 2004 to June 30, 2005.

	2005	2004	Change
Revenues:			
Local revenue sources	\$11,119,102	\$10,399,432	\$719,670
State revenue sources	22,360,962	21,515,368	845,594
Federal revenue sources	3,004,118	2,712,818	291,300
Total revenues	\$36,484,182	\$34,627,618	\$1,856,564
Expenses:			
Instruction	\$22,217,861	\$20,906,762	\$1,311,099
Student support services	1,850,628	1,886,466	(35,838)
Instructional support	1,170,608	1,333,308	(162,700)
District administration	1,074,991	1,321,391	(246,400)
School administration	1,884,854	1,744,778	140,076
Business	311,374	373,537	(62,163)
Plant operations	3,100,493	2,728,033	372,460
Student transportation	1,888,214	1,634,312	253,902
Central office support	342,555	344,690	(2,135)
Community support	407,147	597,060	(189,913)
Other	1,604,333	2,008,180	(403,857)
Total expenses	\$35,853,058	\$37,024,892	\$974,531
Change in Net Assets	\$631,124	\$(250,909)	\$882,033

Food Service Activity

- Operating revenues for the Food Service Fund totaled \$2,606,885 as of June 30, 2005, an increase of \$418,731 from 2004.
- Total Operating expenditures for the food Service Fund totaled \$2,632,397 as of June 30, 2005, an increase of \$468,697 from 2004.
- The Operating expenditures exceeded operating revenues by \$25,512.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT – WINCHESTER, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

General Fund Revenue

The majority of revenue was derived from local taxes making up 31% of the total revenue and state funding making up 69% of total revenue.

General Fund Expenditures

Instruction makes up 62% of total General Fund Expenditures. Central support services expenditures are: Transportation 5%, Maintenance & Operations 9%, and Other Support Functions 24%.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$682,258 in contingency (2%) in 2005 and \$823,788 in 2006 which is above the 2 percent requirement. Significant Board action that impacts the finances include a 3.0% pay increase for all employees as of July 1, 2005.

In 2006, the preschool program has become a part of Clark County Public Schools and is located on Elementary campuses.

The Clark County Public Schools enacted a three percent utility tax on cable and satellite television effective July 1, 2006. All utility taxes are being collected by the state revenue cabinet.

The Clark County Board of Education is addressing facility needs in terms of renovating, building and reducing facility costs.

Questions regarding this report should be directed to the Superintendent or to Kathy Thomas, Director of Financial Services **(859)744-4545** or by mail at 1600 W. Lexington Avenue, Winchester, KY 40391.

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 2,906,994	\$ 383,121	\$ 3,290,115
Accounts Receivable			-
Taxes	238,275	-	238,275
Accounts	101,055	100,956	202,011
Intergovernmental - state	176,432	-	176,432
Intergovernmental - federal	1,064,516	-	1,064,516
Inventory	-	44,579	44,579
Total Current Assets	4,487,272	528,656	5,015,928
Noncurrent Assets			
Bond discounts and issue costs net of accumulated amortization of \$317	6,014	-	6,014
Non-depreciated capital assets	955,137	-	955,137
Net depreciated capital assets	27,326,160	278,549	27,604,709
Total Noncurrent Assets	28,287,311	278,549	28,565,860
TOTAL ASSETS	\$ 32,774,583	\$ 807,205	\$ 33,581,788
LIABILITIES:			
Current Liabilities			
Accounts payable	\$ 92,873	\$ 9,491	\$ 102,364
Accrued liabilities	127,750	-	127,750
Bank overdraft	835,082	-	835,082
Current portion of bond obligations	645,000	-	645,000
Current portion of lease obligations	337,031	-	337,031
Deferred revenue	450,567	-	450,567
Total Current Liabilities	2,488,303	9,491	2,497,794
Noncurrent Liabilities			
Noncurrent portion of bond obligations	7,225,000	-	7,225,000
Noncurrent portion of lease obligations	1,006,893	-	1,006,893
Noncurrent portion of accrued sick leave	504,320	-	504,320
Total Noncurrent Liabilities	8,736,213	-	8,736,213
TOTAL LIABILITIES	11,224,516	9,491	11,234,007
NET ASSETS			
Invested in capital assets, net of related debt	19,067,373	278,549	19,345,922
Restricted For:			
Construction	909,752	-	909,752
Debt service	1,273,911	-	1,273,911
Unrestricted	299,031	519,165	818,196
TOTAL NET ASSETS	21,550,067	797,714	22,347,781
TOTAL LIABILITIES AND NET ASSETS	\$ 32,774,583	\$ 807,205	\$ 33,581,788

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 23,132,173	\$ 25,201	\$ 5,239,905	\$ -	\$ (17,867,067)	\$ -	\$ (17,867,067)
Support Services:							
Student	1,849,040	-	-	-	(1,849,040)	-	(1,849,040)
Instructional staff	1,170,800	-	-	-	(1,170,800)	-	(1,170,800)
District administration	1,090,172	-	-	-	(1,090,172)	-	(1,090,172)
School administration	1,898,949	-	-	-	(1,898,949)	-	(1,898,949)
Business	311,545	-	-	-	(311,545)	-	(311,545)
Plant operations and maintenance	3,108,009	-	-	-	(3,108,009)	-	(3,108,009)
Student transportation	1,697,565	-	-	-	(1,697,565)	-	(1,697,565)
Central office	341,160	-	-	-	(341,160)	-	(341,160)
Non-Instructional	409,242	-	-	-	(409,242)	-	(409,242)
Facilities acquisition and construction	372,682	-	-	-	(372,682)	-	(372,682)
Interest on long-term debt	357,074	-	-	-	(357,074)	-	(357,074)
Total Governmental Activities	35,738,411	25,201	5,239,905	-	(30,473,305)	-	(30,473,305)
Business-Type Activities:							
Lunchroom sales	2,632,397	1,021,060	1,514,205	-	-	(97,132)	(97,132)
Total Primary Government	\$ 38,370,808	\$ 1,046,261	\$ 6,754,110	\$ -	\$ (30,473,305)	\$ (97,132)	\$ (30,570,437)
General Revenues:							
Taxes:							
Property					\$ 7,425,553	\$ -	\$ 7,425,553
Motor vehicle					1,032,373	-	1,032,373
Utilities					1,830,098	-	1,830,098
State aid formula grants					20,143,763	-	20,143,763
Interest and investment earnings					115,088	7,790	122,878
Gain(loss) on sale of fixed assets					34,916	-	34,916
Miscellaneous					379,346	71,620	450,966
Total General Revenues					30,961,137	79,410	31,040,547
Change in Net Assets					487,832	(17,722)	470,110
Net Assets June 30, 2004					21,058,252	815,436	21,873,688
Prior Period Adjustment					3,983	-	3,983
Net Assets June 30, 2004, restated					21,062,235	815,436	21,877,671
Net Assets June 30, 2005					\$ 21,550,067	\$ 797,714	\$ 22,347,781

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CAPITAL OUTLAY FUND	BUILDING FUND	CONSTRUCTION FUND NON-MAJOR	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	\$ 716,752	\$ 6,579	\$ 1,273,911	\$ 639,083	\$ 270,669	\$ 2,906,994
Accounts receivable						
Taxes	238,275	-	-	-	-	238,275
Accounts	57,778	43,277	-	-	-	101,055
Intergovernmental - state	-	176,432	-	-	-	176,432
Intergovernmental - federal	-	1,064,516	-	-	-	1,064,516
TOTAL ASSETS	<u>\$ 1,012,805</u>	<u>\$ 1,290,804</u>	<u>\$ 1,273,911</u>	<u>\$ 639,083</u>	<u>\$ 270,669</u>	<u>\$ 4,487,272</u>
LIABILITIES:						
Accounts payable	\$ 102,259	\$ 5,155	\$ -	\$ -	\$ -	\$ 107,414
Bank overdraft	-	835,082	-	-	-	835,082
Deferred revenue	-	450,567	-	-	-	450,567
TOTAL LIABILITIES	<u>102,259</u>	<u>1,290,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,393,063</u>
FUND BALANCES:						
Reserved for Other Purposes	-	-	1,273,911	639,083	270,669	2,183,663
Unreserved	910,546	-	-	-	-	910,546
TOTAL FUND BALANCES	<u>910,546</u>	<u>-</u>	<u>1,273,911</u>	<u>639,083</u>	<u>270,669</u>	<u>3,094,209</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,012,805</u>	<u>\$ 1,290,804</u>	<u>\$ 1,273,911</u>	<u>\$ 639,083</u>	<u>\$ 270,669</u>	<u>\$ 4,487,272</u>

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Governmental Fund Balances	\$ 3,094,209
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	
	28,281,297
Certain assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but they are in the statement of net assets.	
Bond discounts and issuance costs	6,014
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net assets as follows:	
Bonds payable	(7,870,000)
Leases payable	(1,343,924)
Accrued interest	(113,209)
Accrued sick leave	<u>(504,320)</u>
Net Assets of Governmental Activities	\$ <u>21,550,067</u>

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CAPITAL OUTLAY FUND	BUILDING FUND	CONSTRUCTION FUND NON-MAJOR	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
From local sources:						
Taxes:						
Property	\$ 6,567,641	\$ -	\$ -	\$ 1,150,670	\$ -	\$ 7,718,311
Motor vehicle	1,032,373	-	-	-	-	1,032,373
Utilities	1,830,098	-	-	-	-	1,830,098
Earnings on investments	114,566	522	-	-	-	115,088
Other local revenues	159,150	264,082	-	-	-	423,232
Intergovernmental - state	20,104,609	1,410,468	482,950	362,935	-	22,360,962
Intergovernmental - federal	39,154	2,964,964	-	-	-	3,004,118
TOTAL REVENUES	<u>29,847,591</u>	<u>4,640,036</u>	<u>482,950</u>	<u>1,513,605</u>	<u>-</u>	<u>36,484,182</u>
EXPENDITURES:						
Current:						
Instruction:	18,788,329	3,429,532	-	-	-	22,217,861
Support Services:						
Student	1,351,029	499,599	-	-	-	1,850,628
Instructional staff	866,840	303,768	-	-	-	1,170,608
District administration	1,074,991	-	-	-	-	1,074,991
School administration	1,884,854	-	-	-	-	1,884,854
Business	311,374	-	-	-	-	311,374
Plant operations and maintenance	3,100,493	-	-	-	-	3,100,493
Student transportation	1,887,879	335	-	-	-	1,888,214
Central office	342,555	-	-	-	-	342,555
Non-Instructional	345	406,802	-	-	-	407,147
Facilities acquisition and construction	-	-	372,682	-	-	372,682
Debt service	247,490	-	-	984,161	-	1,231,651
TOTAL EXPENDITURES	<u>29,856,179</u>	<u>4,640,036</u>	<u>372,682</u>	<u>984,161</u>	<u>-</u>	<u>35,853,058</u>
Excess (Deficit) of Revenues over Expenditures	<u>(8,588)</u>	<u>-</u>	<u>110,268</u>	<u>529,444</u>	<u>-</u>	<u>631,124</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of fixed assets/bonds	220,740	-	-	-	-	220,740
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	<u>220,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,740</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	212,152	-	110,268	529,444	-	851,864
Fund Balance June 30, 2004	694,411	-	1,163,643	109,639	270,669	2,238,362
Prior Period Adjustment	3,983	-	-	-	-	3,983
Fund Balance June 30, 2004, restated	<u>698,394</u>	<u>-</u>	<u>1,163,643</u>	<u>109,639</u>	<u>270,669</u>	<u>2,242,345</u>
Fund Balance June 30, 2005	\$ <u>910,546</u>	\$ <u>-</u>	\$ <u>1,273,911</u>	\$ <u>639,083</u>	\$ <u>270,669</u>	\$ <u>3,094,209</u>

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 851,864
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues from imposed nonexchange revenue transactions are not reported in the fund financial statements because they are not available, but they are reported in the statement of net assets.	(292,758)
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	
Capital outlays	384,133
Depreciation expense	(1,168,799)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(116,406)
Amortization of bond discounts and issuance costs are reported in the statement of activities but do not require current financial resources and therefore are not reported as expenditures in governmental funds.	6,014
Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net assets, however, issuing long-term debt increases liabilities and has no effect on net assets. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Bond proceeds	(185,824)
Debt principal repaid	<u>1,009,608</u>
Change in Net Assets of Governmental Activities	\$ <u><u>487,832</u></u>

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND				SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:								
From Local Sources:								
Taxes:								
Property	\$ 6,525,293	\$ 6,684,592	\$ 6,567,641	\$ (116,951)	\$ -	\$ -	\$ -	\$ -
Motor vehicle	975,000	975,000	1,032,373	57,373	-	-	-	-
Utilities	1,600,000	1,600,000	1,830,098	230,098	-	-	-	-
Tuition and Fees	6,000	6,000	-	(6,000)	-	-	-	-
Earnings on investments	75,000	75,000	114,566	39,566	-	-	522	522
Other local revenues	36,500	36,500	159,150	122,650	36,693	61,850	264,082	202,232
Intergovernmental - state	14,067,988	14,280,215	20,104,609	5,824,394	1,422,761	1,539,726	1,410,468	(129,258)
Intergovernmental - indirect federal	-	-	39,154	39,154	2,774,934	2,968,010	2,964,964	(3,046)
TOTAL REVENUES	<u>23,285,781</u>	<u>23,657,307</u>	<u>29,847,591</u>	<u>6,190,284</u>	<u>4,234,388</u>	<u>4,569,586</u>	<u>4,640,036</u>	<u>70,450</u>
EXPENDITURES:								
Current:								
Instruction:	14,405,999	14,605,914	18,788,329	(4,182,415)	2,918,233	3,244,916	3,429,532	(184,616)
Support Services:								
Student	1,088,141	1,061,496	1,351,029	(289,533)	544,995	599,296	499,599	99,697
Instructional staff	769,600	763,632	866,840	(103,208)	369,600	314,676	303,768	10,908
District administration	1,702,368	1,868,206	1,074,991	793,215	-	-	-	-
School administration	1,458,365	1,476,600	1,884,854	(408,254)	-	-	-	-
Business	271,055	288,504	311,374	(22,870)	-	-	-	-
Plant operations and maintainance	2,319,457	2,440,076	3,100,493	(660,417)	-	-	-	-
Student transportation	1,591,810	1,500,387	1,887,879	(387,492)	27,705	11,609	335	11,274
Central office	342,086	363,986	342,555	21,431	-	-	-	-
Non-Instructional	3,900	3,900	345	3,555	373,855	399,089	406,802	(7,713)
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	247,490	(247,490)	-	-	-	-
TOTAL EXPENDITURES	<u>23,952,781</u>	<u>24,372,701</u>	<u>29,856,179</u>	<u>(5,483,478)</u>	<u>4,234,388</u>	<u>4,569,586</u>	<u>4,640,036</u>	<u>(70,450)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(667,000)</u>	<u>(715,394)</u>	<u>(8,588)</u>	<u>706,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):								
Proceeds from sale of assets/bonds	17,000	17,000	220,740	203,740	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	<u>17,000</u>	<u>17,000</u>	<u>220,740</u>	<u>203,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(650,000)</u>	<u>(698,394)</u>	<u>212,152</u>	<u>910,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2004	650,000	698,394	694,411	(3,983)	-	-	-	-
Prior Period Adjustment	-	-	3,983	-	-	-	-	-
Fund Balance June 30, 2004, restated	<u>650,000</u>	<u>698,394</u>	<u>698,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910,546</u>	<u>\$ 910,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	<u>ENTERPRISE FUND</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 383,121
Accounts receivable	100,956
Inventory	<u>44,579</u>
Total Current Assets	528,656
Noncurrent Assets	
Machinery & equipment	909,299
Accumulated depreciation	<u>(630,750)</u>
Total Noncurrent Assets	278,549
 TOTAL ASSETS	 \$ <u><u>807,205</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ <u>9,491</u>
Noncurrent Liabilities	<u>-</u>
 TOTAL LIABILITIES	 <u>9,491</u>
NET ASSETS:	
Invested in capital assets, net of related debt	278,549
Unrestricted	<u>519,165</u>
 TOTAL NET ASSETS	 <u>797,714</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>807,205</u></u>

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	ENTERPRISE FUND
OPERATING REVENUES:	
Lunchroom sales	\$ 1,021,060
Federal grants	1,174,574
Federal commodities	110,271
State grants	229,360
Other operating revenues	71,620
TOTAL OPERATING REVENUES	<u>2,606,885</u>
OPERATING EXPENSES:	
Salaries and wages	1,151,914
Contract services	39,474
Materials and supplies	1,328,515
Miscellaneous	11,156
Property	60,373
Depreciation	40,965
TOTAL OPERATING EXPENSES	<u>2,632,397</u>
Operating Income (Loss)	(25,512)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	7,790
NON-OPERATING REVENUES (EXPENSES)	<u>7,790</u>
Net Income (Loss) before Operating Transfers	(17,722)
Operating Transfers	<u>-</u>
Change in Net Assets	<u>(17,722)</u>
Total Net Assets June 30,2004	<u>815,436</u>
Total Net Assets June 30,2005	<u>\$ 797,714</u>

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,092,680
Cash received from federal & state govt.	1,423,671
Cash paid to suppliers	(1,329,223)
Cash paid to employees	<u>(1,151,914)</u>
Net Cash Provided (Used) by Operating Activities	<u>35,214</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	7,790
Purchase of fixed assets	<u>(133,205)</u>
Net Cash Provided (Used) by Investing Activities	<u>(125,415)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(90,201)
Cash and cash equivalents June 30, 2004	<u>473,322</u>
Cash and cash equivalents June 30, 2005	<u><u>\$ 383,121</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (25,512)
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:	
Depreciation	40,965
Changes in Assets and Liabilities:	
Accounts receivable	19,737
Inventories	(8,654)
Accounts payable	<u>8,678</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 35,214</u></u>

See Auditor's Report and Accompanying Notes

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>ACTIVITY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 323,715
Accounts receivable	<u>17,453</u>
TOTAL ASSETS	<u>341,168</u>
LIABILITIES:	
Accounts payable	29,734
Due to student groups	<u>311,434</u>
TOTAL LIABILITIES	<u>\$ 341,168</u>

See Auditor's Report and Accompanying Notes

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

Reporting Entity

The Clark County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Clark County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Clark County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Boosters Club, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Clark County School District Finance Corporation - On April 2, 1992, the Clark County, Kentucky, Board of Education resolved to authorize the establishment of the Clark County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Members of the Board also comprise the Corporation's Board of Directors.

Basis of Accounting

The Board's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (continued)

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Board and for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District's funds, including fiduciary funds. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determinable by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in the total net assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (continued)

A description along with the restrictions associated with each class of funds is as follows:

A. Governmental Fund Types

The **General Fund** is the primary operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The **Special Revenue Fund** accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report. In addition, the Kentucky Education Technology System (KETS) allocation and the District's matching funds are being reported in the Special Revenue fund as required by the Kentucky Department of Education. These funds are restricted for the purpose of technology consistent with the District's approved technology plan. The Special Revenue Fund is a major fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) **Capital Outlay Fund** receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a major fund of the District.
2. The Facility Support Program of Kentucky (**FSPK**) **Fund** accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The **Construction Fund** accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (continued)

B. Debt Service Fund

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

C. Proprietary Funds (Enterprise Fund)

(A) The School **Food Service Fund** accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA"). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Fiduciary Fund Type (includes agency and trust funds)

The **Activity Fund** accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

In the Government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed to finance the General Fund operations for the year ended June 30, 2005, were \$.397 per \$100 valuation for real property, \$.421 per \$100 valuation for business personal property and \$.535 per \$100 valuation for motor vehicles. The assessed value, upon which the levy for the 2005 fiscal year was based, was \$2,098,728,982.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the district, of telephone and telegraph communications services, cablevisions services, electric power, water, and natural, artificial and mixed gas.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Buildings and improvements	25-50	years
Land improvements	20	years
Technology equipment	5	years
Vehicles	5-10	years
Audio-visual equipment	15	years
Food service equipment	10-12	years
Furniture and fixtures	7	years
Other	10	years

Interfund Balances

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net assets.

Budgetary Process

The Board is required by state law to adopt annual budgets for the general fund, special revenue fund, debt service and capital projects funds. Each budget is presented on the modified accrual basis of accounting which is a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is revenues and expenses are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy; only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Inventory

Inventories consist of food purchased by the Board and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at cost (first-in, first-out) using the consumption method and commodities are assigned values based on information provided by the USDA.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Bond Issue Costs

Costs associated with the issuance of bond obligations, including fiscal and rating agency fees, paying agent fees, and attorney fees, are reported as expenditures in the governmental funds financial statements. These costs are capitalized and amortized over the lives of the respective bonds on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Encumbrance Accounting

Encumbrances are not liabilities, and therefore are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Fund Balance Reserves

Portions of fund equity are segregated for future use and are therefore not available for future appropriation or expenditure for general use. Amounts reserved for encumbrances, compensated absences, and construction commitments represent portions of fund equity required to be segregated in accordance with state law or generally accepted accounting principles. Designations of unreserved fund balances in governmental funds indicate the utilization of these resources in the ensuing year's budget or tentative plans for future use.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as necessary.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2- CASH AND CASH EQUIVALENTS

At year end, the book balance of the District's cash and cash equivalents was \$2,664,169. Of the total cash balance, \$218,946 was covered by Federal Depository Insurance Corporation and the remainder was secured by collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The District has an investment with Cadre Securities, Inc. in the U.S. Government Money Market Portfolio. The amount invested as of June 30, 2005 was \$113,259. The security trades at a \$1 per share, and is reported as a cash equivalent in the financial statements.

Cash and cash equivalents at June 30, 2005 consisted of the following:

	Bank Balance	Book \$ Balance
Checking	\$3,177,951	\$2,225,875
Cadre Securities	113,251	113,259
Activity Fund	329,584	323,715
Petty Cash	0	1,320
Total	<u>\$3,620,786</u>	<u>\$2,664,169</u>

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 955,137	\$ 0	\$ 0	\$ 955,137
Buildings & Improvements	39,022,702	0	0	39,022,702
Technological Equipment	3,190,295	204,639	(7,020)	3,387,914
Machinery & Equipment	2,848,860	179,494	0	3,028,354
General Equipment	608,623	0	0	608,623
Construction in Progress	0	0	0	0
Total Historical Cost	46,625,617	384,133	(7,020)	47,002,730
Accumulated Depreciation	(17,559,653)	(1,168,799)	7,020	(18,721,432)
Capital Assets - Net	<u>\$ 29,065,964</u>	<u>\$ (784,666)</u>	<u>\$ 0</u>	<u>\$ 28,281,298</u>
Business Activities:				
Technological Equipment	\$ 30,209	\$ 0	\$ 0	\$ 30,209
General Equipment	745,885	133,205	0	879,090
Total Historical Cost	776,094	133,205	0	909,299
Accumulated Depreciation	(589,785)	(40,965)	0	(630,750)
Capital Assets - Net	<u>\$ 186,309</u>	<u>\$ 92,240</u>	<u>\$ 0</u>	<u>\$ 278,549</u>

Depreciation expense was charged to functions of the governmental activities of the District as follows:

Governmental Activities:

Instruction	\$ 991,887
Support Services:	
Student	348
Instructional staff	2,259
District administration	18,809
School administration	15,451
Business	171
Plant operations & maintenance	7,515
Student transportation	129,783
Non-instructional	2,576
Total depreciation expense, governmental activities	<u>\$ 1,168,799</u>

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Construction Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Clark School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity dates at redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2005, for debt service, (principal and interest) are shown below:

Fiscal Year	Clark County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2005-06	455,654	304,953	189,346	57,532	1,007,485
2006-07	473,338	285,374	196,662	49,738	1,005,112
2007-08	496,805	264,698	203,195	41,529	1,006,227
2008-09	518,214	242,496	216,786	32,736	1,010,232
2009-10	455,212	221,078	154,788	25,041	856,119
2010-11	484,481	200,046	160,519	18,507	863,553
2011-12	513,368	177,211	166,632	11,578	868,789
2012-13	320,000	152,380	15,000	4,301	491,681
2013-14	340,000	135,880	15,000	3,469	494,349
2014-15	355,000	118,328	15,000	2,636	490,964
2015-16	375,000	99,525	20,000	1,665	496,190
2016-17	395,000	79,406	20,000	555	494,961
2017-18	415,000	58,144	0	0	473,144
2018-19	440,000	35,700	0	0	475,700
2019-20	460,000	12,075	0	0	472,075
	<u>\$ 6,497,072</u>	<u>\$ 2,387,294</u>	<u>\$ 1,372,928</u>	<u>\$ 249,287</u>	<u>\$ 10,506,581</u>

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS (contd.)

The original amount of the issue, the issue dates, and interest rates are summarized as follows:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Outstanding Balance June 30, 2005</u>
1994	\$ 3,090,000	4.125-5.10%	\$ 935,000
1996	255,000	4.50-5.55%	175,000
1999	4,820,000	4.10-5.25%	4,405,000
2001	3,255,000	2.75-4.25%	2,355,000
	<u>\$ 11,400,000</u>		<u>\$ 7,870,000</u>

Capital Leases

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to equipment lease revenue bonds (the "bonds") issued by the Kentucky Interlocal School Transportation Association ("KISTA") aggregating \$1,343,924 at June 30, 2005. These amounts are not reflected on the fund financial statements. The bonds were issued to provide funds for the purchase of school buses and equipment, and the lease of these buses and equipment by the Board from KISTA is the source of the Board's obligation. Upon full payment of the bonds and related interest, title to the buses will be conveyed to the Board. The Board has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2005:

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2006	431,650
2007	207,686
2008	151,286
2009	131,045
2010	110,762
Thereafter	<u>565,887</u>
Total minimum lease payments	1,598,316
Less: amount representing interest	<u>253,122</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,343,924</u>

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS (contd.)

Changes in lease and bond obligations for the year are as follows:

	Balance at July 1, 2004	Increases	Decreases	Balance at June 30, 2005
Leases	\$ 1,552,708	\$ 185,824	\$ (394,608)	\$ 1,343,924
Bonds	8,485,000	0	(615,000)	7,870,000
	<u>\$ 10,037,708</u>	<u>\$ 185,824</u>	<u>\$ (1,009,608)</u>	<u>\$ 9,213,924</u>

Non-capital Leases

Commitments under operating lease agreements for office equipment provide for the minimum future rental payments as of June 30, 2005 as follows:

Year ending June 30:	2006	\$19,429
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Rent expense for the year ended June 30, 2005 was \$21,195.

NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the Board an amount equal to 30% of the value of accumulated sick leave. At June 30, 2005, this amount totaled \$504,320 for those employees eligible to retire and is reflected as a liability on the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave" in the general fund. The noncurrent portion of the liability is not reported.

NOTE 6 - RETIREMENT PLANS

Plan Descriptions

The District contributes to the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer, defined benefit pension plan, for the District's certified employees. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes the financial statements and required supplementary information for the defined benefit plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 6 - RETIREMENT PLANS (contd.)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system.

Funding Policies

Contribution rates for KTRS are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of members' salaries. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Funding for CERS is provided through payroll withholdings of 5% and a Board contribution of 8.48% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$24,018,224. The payroll for employees covered under KTRS was \$19,735,897 and for CERS \$ 4,282,327.

The contribution requirement to KTRS for the year ended June 30, 2005 was \$2,217,033 from the Commonwealth of Kentucky, \$1,806,086 from the District's employees and \$184,691 from the District, which represents those employees covered by federal programs.

The contribution requirement for CERS for the year ended June 30, 2005 was \$577,258, which consisted of \$363,142 from the Board and \$214,116 from the employees.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases step-rate benefits that are estimated to be payable in the future as a result of employee service to-date. The measure, which is the actuarial present value of credited, projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 6 - RETIREMENT PLANS (contd.)

	KTRS June 30, 2004	CERS June 30, 2004
Net assets available for benefits	\$ 14,255,100,000	\$ 6,397,726,506
Pension benefit obligation	17,617,600,000	7,453,191,207
Over(under)funded pension benefit	<u>\$ (3,362,500,000)</u>	<u>\$ (1,055,464,701)</u>

Ten-year historical trend information, showing KTRS and CERS progress in accumulating sufficient assets to pay benefits when due, is presented in the June 30, 2004 comprehensive annual financial reports.

As the District is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE 7 - CONTINGENCIES

The District receives funding from Federal and State government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or to refuse to reimburse the Board for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

NOTE 8 - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated and include worker's compensation insurance.

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 9 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). It is management's opinion that the COBRA requirements have been met.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance for worker's compensation, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - EXCESS EXPENDITURES OVER APPROPRIATIONS

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficiency of receipts over disbursements resulting in a corresponding reduction of fund balance.

<u>Fund</u>	<u>Amount</u>
Food Service	\$ 260,537
Clark Middle School Activity Fund	1,129
Clark County Alternative Activity Fund	845
Pilot View Activity Fund	533

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 12 - STATE ON-BEHALF PAYMENTS

The Commonwealth of Kentucky contributes funds on behalf of the District for medical insurance and related expenses, pension contributions and vocational education. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts as reported on the statement of activities and in the actual column on the budgetary comparison schedule. However, these amounts were not included in the budgeted amounts. Contributions made on behalf of the District for the year ended June 30, 2005 were:

Insurance and related expenses	\$ 2,764,778
Pension contributions	2,217,033
Vocational education	202,987
Bond retirement and interest	247,490
Total on behalf payments	<u>\$ 5,432,288</u>

NOTE 13- PRIOR PERIOD ADJUSTMENTS

The General Fund was adjusted \$3,973 to correctly reflect the balance at June 30, 2004.

SUPPLEMENTARY INFORMATION

CLARK COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	George Rogers Clark High School	Clark Middle School	Conkwright Middle School	Clark County Alternative School	Central Elementary School	Fannie Bush Elementary School	Hannah McClure Elementary School	Pilot View Elementary School	Providence Elementary School	Shearer Elementary School	Strode Station Elementary School	Trapp Elementary School	Total
ASSETS:													
Cash	\$ 80,786	\$ 61,896	\$ 47,351	\$ 11,094	\$ 7,531	\$ 5,957	\$ 4,490	\$ 13,659	\$ 27,284	\$ 14,042	\$ 34,386	\$ 15,239	\$ 323,715
Accounts receivable	<u>14,139</u>	<u>65</u>	<u>2,008</u>	<u>-</u>	<u>124</u>	<u>280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437</u>	<u>400</u>	<u>-</u>	<u>17,453</u>
TOTAL ASSETS	<u>94,925</u>	<u>61,961</u>	<u>49,359</u>	<u>11,094</u>	<u>7,655</u>	<u>6,237</u>	<u>4,490</u>	<u>13,659</u>	<u>27,284</u>	<u>14,479</u>	<u>34,786</u>	<u>\$ 15,239</u>	<u>341,168</u>
LIABILITIES AND FUND BALANCE:													
Liabilities:													
Accounts payable	16,757	2,120	1,990	309	1,792	98	-	-	-	470	6,198	-	29,734
Fund Balance	<u>78,168</u>	<u>59,841</u>	<u>47,369</u>	<u>10,785</u>	<u>5,863</u>	<u>6,139</u>	<u>4,490</u>	<u>13,659</u>	<u>27,284</u>	<u>14,009</u>	<u>28,588</u>	<u>15,239</u>	<u>311,434</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 94,925</u>	<u>\$ 61,961</u>	<u>\$ 49,359</u>	<u>\$ 11,094</u>	<u>\$ 7,655</u>	<u>\$ 6,237</u>	<u>\$ 4,490</u>	<u>\$ 13,659</u>	<u>\$ 27,284</u>	<u>\$ 14,479</u>	<u>\$ 34,786</u>	<u>\$ 15,239</u>	<u>\$ 341,168</u>

CLARK COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	George Rogers Clark High School	Clark Middle School	Conkwright Middle School	Clark County Alternative School	Central Elementary School	Fannie Bush Elementary School	Hannah McClure Elementary School	Pilot View Elementary School	Providence Elementary School	Shearer Elementary School	Strode Station Elementary School	Trapp Elementary School	Total
Revenues from student activities	\$ 615,259	\$ 215,995	\$ 245,791	\$ 9,286	\$ 29,762	\$ 26,219	\$ 43,653	\$ 17,200	\$ 65,209	\$ 49,015	\$ 69,546	\$ 17,629	\$ 1,404,564
Non-instructional expenditures	<u>607,185</u>	<u>217,124</u>	<u>239,119</u>	<u>10,131</u>	<u>26,346</u>	<u>23,069</u>	<u>42,969</u>	<u>17,733</u>	<u>55,695</u>	<u>45,412</u>	<u>67,973</u>	<u>14,898</u>	<u>1,367,654</u>
Excess (deficit) of revenues over expenditures	8,074	(1,129)	6,672	(845)	3,416	3,150	684	(533)	9,514	3,603	1,573	2,731	36,910
Fund Balance June 30, 2004	<u>70,094</u>	<u>60,970</u>	<u>40,697</u>	<u>11,630</u>	<u>2,447</u>	<u>2,989</u>	<u>3,806</u>	<u>14,192</u>	<u>17,770</u>	<u>10,406</u>	<u>27,015</u>	<u>12,508</u>	<u>274,524</u>
Fund Balance June 30, 2005	<u>\$ 78,168</u>	<u>\$ 59,841</u>	<u>\$ 47,369</u>	<u>\$ 10,785</u>	<u>\$ 5,863</u>	<u>\$ 6,139</u>	<u>\$ 4,490</u>	<u>\$ 13,659</u>	<u>\$ 27,284</u>	<u>\$ 14,009</u>	<u>\$ 28,588</u>	<u>\$ 15,239</u>	<u>\$ 311,434</u>

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CLARK COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

ACCOUNTS:	Cash Balances June 30, 2,004	Receipts	Disbursements	Cash Balances June 30, 2,005	Fund Balances June 30, 2,004	Accounts Receivable June 30, 2,005	Accounts Payable June 30, 2,005	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2,005
Academic Team	\$ -	\$ 400	\$ 400	\$ -	\$ 535	\$ -	\$ -	\$ (535)	\$ -
ACT/SAT Reimbursement	-	-	-	-	-	-	-	-	-
Ag. Machine Shop	-	2,021	2,021	-	-	-	-	-	-
Anthem School Nurse	669	-	304	365	669	-	-	-	365
Archery	-	1,700	1,700	-	-	-	-	-	-
Art	-	2,473	2,473	-	-	-	-	-	-
Art Club	2,981	12	-	2,993	2,981	-	-	-	2,993
Arts & Humanities	-	-	-	-	-	-	-	-	-
Athletic	8	43,385	43,393	-	8	-	-	-	-
Band	500	525	607	418	500	-	-	-	418
Baseball	-	4,982	4,982	-	-	-	-	-	-
Bass Club	123	527	625	25	123	-	-	-	25
Beta Club	202	1,075	779	498	202	-	-	-	498
Bluegrass Community	-	-	-	-	-	-	-	-	-
BD Unit	-	-	-	-	-	-	-	-	-
Boy's Basketball	-	23,987	23,987	-	-	-	-	-	-
Boy's Golf	-	25	25	-	-	-	-	-	-
Boy's Soccer	-	7,571	7,571	-	-	-	-	-	-
Boy's Tennis	-	-	-	-	-	-	-	-	-
Boy's Varsity Cheerleading	-	8,366	8,366	-	-	-	-	-	-
Bus Travel	-	300	68	232	-	-	-	-	232
Business	-	2,316	2,316	-	-	-	-	-	-
Career Development	-	-	-	-	-	-	-	-	-
Central Bank	-	-	-	-	-	-	-	-	-
Chess Club	223	-	-	223	223	-	-	-	223
Chorus	-	3,215	3,215	-	-	-	-	-	-
CKSC Dues Boys Soccer	-	1,000	-	1,000	-	-	-	-	1,000
Class of 2003	-	-	-	-	-	-	-	-	-
Class of 2004	12,161	-	12,161	-	12,161	-	-	-	-
Class of 2005	5,154	95,802	94,753	6,203	5,154	-	-	-	6,203
Class of 2006	3,329	2,512	430	5,411	3,329	-	-	-	5,411
Class of 2007	-	2,644	360	2,284	-	-	-	-	2,284
Copiers	-	49,488	49,488	-	35	3,466	2,737	(35)	729
Cross Country	-	-	-	-	-	-	-	-	-
Dance Cards	-	-	-	-	-	-	-	-	-
Drama	1,602	7,671	8,345	928	1,602	-	-	-	928
Driver's Education	-	61	61	-	-	-	-	-	-
Edge	-	903	883	20	-	-	-	-	20
English	-	1,617	1,617	-	-	-	-	-	-
Faculty Lounge	115	2,630	2,745	-	146	-	-	(31)	-
Family & Consumer	-	1,701	1,701	-	-	-	-	-	-
FBLA	870	1,029	604	1,295	870	-	23	-	1,272
FCA	443	-	140	303	443	-	-	-	303
Fees	-	53,648	52,420	1,228	600	-	-	(600)	1,228
FFA	1,034	24,280	25,254	60	483	-	11	551	49
FCCLA	737	120	203	654	737	-	-	-	654
Floral Design	-	1,059	1,059	-	-	-	-	-	-
Flower Fund	45	-	-	45	45	-	-	-	45
Foreign Language	-	974	974	-	-	-	-	-	-
Football	-	26,486	26,486	-	-	-	-	-	-
Football Playoffs	-	5,305	5,305	-	-	-	-	-	-
Football Weightroom	1,862	-	1,291	571	1,862	-	-	-	571
Fortieth Dist. Basketball	-	-	-	-	-	-	-	-	-
General	4,845	24,227	25,352	3,720	5,112	-	1,528	(267)	2,192
Girl's Basketball	-	7,355	7,355	-	-	-	-	-	-
Girl's Golf	-	186	186	-	-	-	-	-	-
Girl's Soccer	-	4,305	4,305	-	-	-	-	-	-
Girl's Tennis	-	-	-	-	-	-	-	-	-
Girl's Varsity Cheerleading	-	8,099	8,099	-	-	-	-	-	-
GRC Scholarship	20	2,600	2,600	20	20	600	300	-	320
Greenhouse	4,597	14,652	9,836	9,413	4,597	-	-	-	9,413
Guidance	673	1,221	1,130	764	673	-	-	-	764
Health	-	-	-	-	-	-	-	-	-
Humane Society	-	-	-	-	-	-	-	-	-
Industrial Arts	-	-	-	-	-	-	-	-	-
Industrial Arts Special	757	660	845	572	757	-	-	-	572
Inkwell	-	1,046	-	1,046	-	-	-	-	1,046
Jr. Historical Society	4,101	1,100	1,548	3,653	4,101	-	-	-	3,653
J.V. (Freshman) Cheerleading	-	1,945	1,945	-	-	-	-	-	-

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CLARK COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

ACCOUNTS:	Cash Balances June 30, 2,004	Receipts	Disbursements	Cash Balances June 30, 2,005	Fund Balances June 30, 2,004	Accounts Receivable June 30, 2,005	Accounts Payable June 30, 2,005	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2,005
Larry Raney Memorial Fund	349	250	-	599	349	-	-	-	599
Latin	320	-	320	-	320	-	-	-	-
Library	164	5,474	5,354	284	164	-	-	-	284
Literacy First	-	-	-	-	-	-	-	-	-
Math	-	777	777	-	-	-	-	-	-
NHS	168	1,136	708	596	168	-	-	-	596
Outstanding English	543	500	500	543	543	-	500	-	43
Parking	-	5,076	378	4,698	-	-	348	-	4,350
Pep Club	-	1,073	573	500	-	-	-	-	500
Pitney Bowes	-	1,511	1,511	-	-	-	-	-	-
Project Graduation	3,284	14,560	12,818	5,026	2,484	10,000	10,054	800	4,972
Rachel Sutherland	1,000	1,075	1,000	1,075	1,000	-	1,000	-	75
SADD	24	71	95	-	24	-	-	-	-
S.A.S.	746	-	-	746	746	-	-	-	746
Science	-	3,557	3,557	-	-	-	-	-	-
Second Chance	-	5,725	5,242	483	-	-	-	-	483
Service Learning	748	1,050	1,549	249	595	-	-	153	249
Smoke Signals	-	1,248	992	256	-	-	256	-	-
Social Studies	-	912	912	-	-	-	-	-	-
Softball	-	16,042	16,042	-	-	-	-	-	-
Soft Drinks	2,277	12,956	10,836	4,397	2,516	73	-	(239)	4,470
Spanish	-	-	-	-	-	-	-	-	-
Special Education	-	142	142	-	-	-	-	-	-
Speech & Debate Team	-	-	-	-	-	-	-	-	-
Stock Market	-	-	-	-	-	-	-	-	-
Swimming	-	-	-	-	-	-	-	-	-
Tech Prep	195	11,907	12,102	-	195	-	-	-	-
Testing	-	16,490	16,490	-	-	-	-	-	-
Textbooks	-	13,186	13,186	-	-	-	-	-	-
Track	-	1,461	1,461	-	-	-	-	-	-
Trainer	-	3,537	3,537	-	-	-	-	-	-
VoAg	-	533	533	-	-	-	-	-	-
Volleyball	-	2,959	2,959	-	-	-	-	-	-
Y Club	1,125	-	1,125	-	1,125	-	-	-	-
YSC Donation Account	2,168	2,190	-	4,358	2,168	-	-	-	4,358
Yearbook	11,474	28,857	27,704	12,627	9,368	-	-	2,106	12,627
Youth Service	381	1,434	1,410	405	381	-	-	-	405
TOTALS	\$ 72,017	\$ 604,895	\$ 596,126	\$ 80,786	\$ 70,114	\$ 14,139	\$ 16,757	\$ 1,903	\$ 78,168

CLARK COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

	CFDA Number	Pass Through Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>FROM THE KY DEPARTMENT OF EDUCATION</u>			
Title I	84.010	35104-01	\$ 937,849
Title I - Migrant Education	84.011	35203-02	44,735
IDEA B - Basic	84.027	58103-02;58104-02	1,027,389
Vocational Education	84.048	46203-32;46204-32	23,136
Special Education Preschool	84.173	58701-02	92,061
Title IV - Safe & Drug Free Schools	84.186A	59004-02;59001-02	30,913
Homeless Children	84.196	73003-00;73004-00	32,737
Fund for the Improvement of Education	84.215E		325,025
Eisenhower Professional Development	84.281A		881
Innovative Education Program Strategies	84.298A	53304-02	20,971
Education Technology State Grants	84.318	73604-02	39,213
Special Education - State Improvement	84.323		19,951
English Language Acquisition Grants	84.365		13,096
Teacher Quality	84.367	71003-02;71004-02	282,557
Total U.S. Department of Education			<u>2,890,514</u>
<u>U.S. DEPARTMENT OF NATIONAL & COMMUNITY SERVICE</u>			
<u>FROM THE KY DEPARTMENT OF EDUCATION</u>			
Learn and Serve America	94.004	74303-02	3,869
<u>NATIONAL SCIENCE FOUNDATION</u>			
Mathematical Physical Sciences	47.049		70,581
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>FROM THE KY DEPARTMENT OF EDUCATION</u>			
National School Breakfast	10.553	57603-05;57604-05	267,134
National School Lunch	10.555	57503-02;57504-02	721,128
State Match	10.555	57504-08	29,272
Summer Lunch Program	10.559	57403-23;56903-24	56,084
<u>FROM THE KY DEPARTMENT OF AGRICULTURE</u>			
Food Distribution	10.550	N/A	110,271
Total U.S. Department of Agriculture			<u>1,183,889</u>
Total Expenditures of Federal Awards			<u>\$ 4,148,853</u>

**CLARK COUNTY PUBLIC SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Clark County School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities disbursed. For the year ended June 30, 2005, the District received food commodities totaling \$110,271.

SUMMERS, MCCRARY & SPARKS, P.S.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits
Members of the Board of Education
Clark County School District
Winchester, Kentucky

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clark County School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Procedures for Auditing Local Districts Fiscal Records*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated October 18, 2005.

In addition, the results of our tests disclosed an instance of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*. See finding number **05-01** in the Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 18, 2005

SUMMERS, MCCRARY & SPARKS, P.S.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee For School District Audits
Members of the Board of Education
Clark County School District
Winchester, Kentucky

Compliance

We have audited the compliance of the Clark County School District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Page Two

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 18, 2005

**CLARK COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

STATE AUDIT REQUIREMENTS

05-01 Condition: Interest earned on restricted accounts was not allocated to the Building Fund and Construction Fund per KRS 157.620.

Response: The Construction Fund has been inactive and interest was not allocated. The district will allocate interest to the appropriate funds.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

NONE

**CLARK COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

04-01 Title 1 Grants to Local Educational Agencies - CFDA 84.010; Grant No. 35104-02-Z;
Grant Period - year ended June 30, 2004

Current Status: The District has corrected this finding.

SUMMERS, MCCRARY & SPARKS, P.S.C.

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Members of the Board of Education of
Clark County School District
Winchester, Kentucky

In planning and performing our audit of the financial statements of Clark County School District for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 18, 2005 contains our report on the District's internal control structure. This letter does not affect our report dated October 18, 2005 on the financial statements of the Clark County School District. The District did attempt to correct the management points referenced in the prior year. Several of the points are the same for several of the school activity funds.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 18, 2005

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

BOARD

Proper Approval of Purchase Orders

Comment: During the testing of cash disbursements, we noted several instances where purchase orders had not been completed prior to the purchase of the related goods or services.

Recommendation: We suggest that purchase orders be issued for all purchases and individuals authorized to approve purchase orders for payment issue the purchase order before the receipt or performance of the goods or services.

Response: All individuals authorized to issue purchase orders have been instructed to issue a purchase order prior to the purchase. This requirement will be communicated again with those involved.

School Activity Funds

Comment: As mentioned in the prior year audit, the booster clubs are raising funds by participating in bingo halls. However, the gaming licenses are in the name of the Board and not the booster club and the funds were not included as an activity fund.

Recommendation: We recommend that the bingo activities be included as a school activity fund or establish the licenses in the booster clubs' names.

Response: The booster clubs have reported that the gaming licenses should be placed in their names in the next few months. The paperwork is in the process of being completed.

National School Lunch Program

Comment: Amounts reported on the District's June 2005 reimbursement reports for the NSLP for accounts receivable, accounts payable and inventory did not agree with the general ledger.

Recommendation: We suggest the food service director consult with the finance director and obtain accurate information to prepare the reports.

Response: During the last year, cash on the reimbursement report and financial reports do agree. The finance director will instruct the food service director the method of obtaining accurate information for accounts receivable, accounts payable, and inventory.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

ACTIVITY FUNDS

GEORGE ROGERS CLARK HIGH SCHOOL

Comment: The Fund Raiser Approval Form (Form F-SA-2A) and Fund Raiser Worksheet (Form F-SA-2B) are not being used for fund-raising activities.

Recommendation: The Bookkeeper and Principal should review the "Clubs/Activities" responsibilities section, items no. 2 and 5, of the UPASAF, which state approval must be obtained for fund-raising activities using Form F-SA-2A and the Fund Raiser Worksheet (Form F-SA-2B) is used to reconcile the number of items taken, sold, and returned with money turned in.

Response: The Bookkeeper and Principal will review and execute the use of Form F-SA-2A which states approval must be obtained for fund-raising activities, & execute the use of the Fund Raiser Worksheet (Form F-SA-2B) which is used to reconcile the number of items taken, sold, and returned with money turned in.

Comment: During our review of cash disbursements we found 8 standard invoices that were not signed by the principal in the purchase order section, and one which was not signed by the vendor.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, item no. 3, which state that if a vendor invoice is not available, the disbursement shall be supported by a standard invoice (Form-F-SA-8), which must be signed by the payee. They should also review the Standard Invoice (Form F-SA-8) to see what is needed to complete the form correctly.

Response: The Bookkeeper and Principal will review and execute the "Purchasing" procedures section, item no. 3, which state that if a vendor invoice is not available, the disbursement shall be supported by a standard invoice (Form-F-SA-8), which must be signed by the payee. We will also review the Standard Invoice (Form F-SA-8) to see what is needed to and complete the form correctly.

Comment: During our review of cash disbursements, we found one payment for which an invoice could not be located.

Recommendation: The Bookkeeper should review the "Purchasing" procedures section, item no. 3, which states, before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice.

Response: The Bookkeeper will review and execute the "Purchasing" procedures section, item no. 3, which states, before being processed, a completed purchase order and an original vendor invoice shall document each disbursement.

Comment: During our review of cash disbursements, we found one instance where the principal did not sign a check.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, item no. 5, which states the school treasurer shall obtain all necessary approvals and signatures.

Response: The Bookkeeper and Principal will review and execute the "Purchasing" procedures section, item no. 5, which states the school treasurer shall obtain all necessary approvals and signatures.

CLARK ALTERNATIVE SCHOOL

NO FINDINGS

CLARK COUNTY MIDDLE SCHOOL

Comment: During our review of cash disbursements, we found two invoices that were not approved by sponsors, prior to payment.

Recommendation: The Bookkeeper should review the "Purchasing" procedures section, item no. 4, which states, the vendor invoice must have the approval and signature of the principal and the faculty sponsor of the activity expending the monies before the payment process can be continued.

Response: The bookkeeper shall attempt to obtain sponsors signatures. The packing slips do have the sponsor's initial. The bookkeeper has reviewed the "Purchasing" procedures section and is following the payment process correctly. Both the principal and sponsor's initials are being obtained for the invoices.

Comment: During our review of athletic ticket sales, we found 3 instances where the ticket color was not changed between events.

Recommendation: The Bookkeeper should review the "Ticket Sales" policy section, item no. 2, which states ticket colors should be changed for consecutive events.

Response: The bookkeeper has reviewed the "Ticket Sales" policy section and will insure that different ticket colors shall be used for consecutive events.

CONKWRIGHT MIDDLE SCHOOL

Comment: During our review of the Monthly Financial Reports (Form F-SA-14), we found four reports that were not completed in a timely manner.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" section, item no. 1, of the UPASAF, which states that the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month and the original shall be signed and reviewed for accuracy and reasonableness by the principal.

Response: The Bookkeeper and Principal shall insure that the monthly report be submitted in a timely manner.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

Comment: During our review of transfers, we found multiple Transfer Forms (F-SA-10) that were not approved by the Sponsor of the remitting fund.

Recommendation: The Bookkeeper and Principal should review the "Transfers" policy section, item no. 1, which states that amounts may be transferred between activity funds only by proper completion of a Transfer Form (F-SA-10). The sponsor of the remitting activity, the school treasurer, and the principal shall sign the Transfer Form.

Response: The Bookkeeper and Principal shall review the "Transfers" policy section and will properly complete the Transfer Forms.

Comment: During our review of ticket sales, we found multiple instances where a receipt was not attached to the Requisition and Report of Ticket Sales (F-SA-1).

Recommendation: The Bookkeeper should review the "Ticket Sales" procedures section, item no. 8, which states the school treasurer prepares a receipt and attaches a copy to the report.

Response: Receipts were kept in separate file and not attached to Form F-SA-1 as stated in item #8. This correction will be made.

Comment: During our review of cash disbursements, we found two standard invoices that were not signed by the vendor, and noticed that sponsors and the principal were not signing off on invoices prior to payment.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, item no. 3 and 4, which state that if a vendor invoice is not available, the disbursement shall be supported by a standard invoice (Form-F-SA-8), which must be signed by the payee. The vendor invoice must have the approval and signature of the principal and the faculty sponsor of the activity expending the monies before the payment process can be continued.

Response: The bookkeeper shall review the "Purchasing" procedures section, and shall obtain the proper signatures and approvals.

Comment: During our review of cash disbursements, we found one instance where sales tax was charged and paid.

Recommendation: The Bookkeeper should review the "Purchasing" policy section, item no. 6, which states schools are exempt from the payment of sales tax.

Response: The bookkeeper will insure that sales tax is not paid.

STRODE STATION ELEMENTARY

Comment: During our review of transfers, we found that Transfer Forms (F-SA-10) were not being completed.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

Recommendation: The Bookkeeper and principal should review the "Transfers" policy section, item no. 1, which states that amounts may be transferred between activity funds only by proper completion of a Transfer Form (F-SA-10).

Response: The bookkeeper and Principal shall review the "Transfers" policy section, and shall complete the forms correctly.

TRAPP ELEMENTARY

NO FINDINGS

PILOT VIEW ELEMENTARY

Comment: During our review of transfers, we found 2 Transfer Forms (F-SA-10) that were not approved by the Principal.

Recommendation: The Bookkeeper and principal should review the "Transfers" policy section, item no. 1, which states amounts may be transferred between activity funds only by proper completion of a Transfer Form (F-SA-10). The sponsor of the remitting activity, the school treasurer, and the principal shall sign the Transfer Form.

Response: The bookkeeper and principal shall review the "Transfers" policy section and will insure that proper signatures and approvals are obtained.

PROVIDENCE ELEMENTARY

NO FINDINGS

HANNAH MCCLURE ELEMENTARY

Comment: During our review of the Monthly Financial Reports (Form F-SA-14), we found three reports that were not completed in a timely manner.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" section, item no. 1, of the UPASAF, which states that the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month and the original shall be signed and reviewed for accuracy and reasonableness by the principal.

Response: The principal and bookkeeper have reviewed the "Financial Reports" section, item no. 1, of the UPASAF. All Monthly Financial Reports (Form F-SA-14) will be done in timely fashion shortly after the close of each month when the bank statement is received and reviewed.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

FANNIE BUSH ELEMENTARY

NO FINDINGS

SHEARER ELEMENTARY

Comment: During our review of the Accounts Receivable, one item was added to the Accounts Receivable Listing.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. Any items that are claims held against others for goods or services provided by an activity prior to or on June 30, 2005 for which the school had not yet received at June 30, should be listed on the Annual Financial Report (Form F-SA-15B) as an accounts receivable.

Response: The bookkeeper shall review the "Financial Reports" section and will insure that the proper items are listed on the Accounts Receivable listing.

CENTRAL ELEMENTARY

Comment: During our review of the Accounts Receivable, one item was added to the Accounts Receivable Listing.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. Any items that are claims held against others for goods or services provided by an activity prior to or on June 30, 2005 for which the school had not yet received at June 30, should be listed on the Annual Financial Report (Form F-SA-15B) as an accounts receivable.

Response: The bookkeeper shall review the "Financial Reports" section and will insure that the proper items are listed on the Accounts Receivable.

Comment: During our review of Accounts Payable, three items were omitted from the Accounts Payable listing.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. Any items that were purchased or expenses that were incurred prior to or on June 30, 2005 for which the school had not yet paid at June 30, should all be listed on the Annual Financial Report (Form F-SA-15B).

Response: The bookkeeper shall review the "Financials Reports" section and will insure that the proper items are listed on the Accounts Payable Listing.